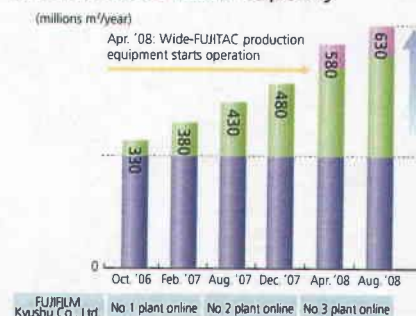


In addition, we have decided to build a new plant (scheduled to commence operations in April 2008) that will conduct R&D relating to FPD materials at the Ashigara site of the Kanagawa Factory. The new plant will develop and produce ultra-wide FUJITAC that will enable it to respond to the trend toward larger LCD panels by efficiently manufacturing materials for LCD televisions with 40-inch and larger screens.

In addition to those mentioned above, we will step up marketing of products with features that utilize our unique technologies. These products include CV Film, which is highly effective in preventing reflection from the surface of panels. In addition, we are increasing sales of such color filter materials as Color Mosaic and Transer Film.

### FUJITAC Production Capacity



FUJIFILM Corporation's plant for development and manufacture of ultra-wide FUJITAC scheduled to be built on Ashigara site of Kanagawa Factory  
 \*Scheduled to come online in April 2008 (artist's image of completed plant)



## Electronic Materials

Recently, Fujifilm's highly functional materials technology has increasingly come into its own in semiconductor manufacturing processes, where finer design rules and multilayering are key trends. Accordingly, we are strengthening our global manufacturing and sales network to further expand this business.

In 2006, we newly developed the FAiRS-9000 series of photoresists for ArF immersion lithography processes compatible with the 45-nanometer generation. This series of photoresists has earned market accolades and is distinctive in facilitating immersion exposure processes requiring no top coat. Going forward, we will strengthen contacts with leading-edge semiconductor manufacturers, and we aim to acquire top market share in photoresists used in state-of-the-art semiconductor devices, centered on the recently developed 45-nanometer generation. We will also establish a market position in the field of new semiconductor materials, such as CMP slurry

and ultra Low-k, where strong growth is projected. In color resists for image sensors, a market in which we have already established the leading share, we will continue to maintain our lead by being first to launch products that cater to the finer design rules for semiconductor devices.

### Cutting-edge Process Road Map for Semiconductors

(Year)	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13
Node (nanometers)		90			65			45		32
DRAM capacity (GB)		16			64			128		256
Exposure light source		ArF			ArF immersion			EUV		
Exposure wavelength (nm)		193			134			13.5		

## Inkjet Materials

In the consumer and industrial inkjet business, demand is continuing to expand. Fujifilm is growing its operations by aggressively engaging in M&As involving marking technology in the key printer head and ink-related fields. We acquired U.S.-based Dimatix, Inc. in the fiscal year ended March 2007.

### Major Inkjet Materials-related M&As

Date	M&As Implemented
Feb. '05	Acquired U.K.-based Sericol Group Limited (currently FUJIFILM Sericol UK Limited), which held top share of the global market for UV inks for industrial inkjet printers.
Feb. '06	Acquired inkjet business of U.K.-based Avecia Group (currently FUJIFILM Imaging Colorants Limited), which held top share of the global market for ink dyes and pigments for consumer-use inkjet printers.
Jul. '06	Acquired U.S.-based Dimatix, Inc. (currently FUJIFILM Dimatix, Inc.), the leading manufacturer of industrial inkjet printer heads.

## Review of VISION75 (2006)

### Medium-term Management Plan



# Structural Reforms



Fujifilm carried out fundamental structural reforms centered on the imaging field from the fiscal year ended March 31, 2006 and completed them by the fiscal year ended March 31, 2007. Through these reforms, we have been building a business structure that is able to ensure stable earnings into the future by optimizing business systems in this segment so that they can adapt to changes in market size.

## Structural Reform Measures

### ■ Photosensitive Materials Business

● **Reorganization of Tripolar Global Manufacturing System**  
Fujifilm previously emphasized local production in its manufacturing system for photosensitive materials such as color films. Based on this emphasis, we maintained a tripolar global system, with facilities in Japan, the U.S., and Europe. However, as demand for photographic color films declined rapidly, fixed costs for large-scale manufacturing facilities put pressure on profits. Therefore, we attempted to optimize production capacity on a worldwide level, which included the termination of some coating lines, and we also reduced the number of employees in various manufacturing divisions.

● **Optimization of Selling Expenses and R&D Investment**  
In sales divisions, we streamlined the workforce and rigorously cut selling expenses. We also minimized R&D investment in areas other than digital camera printing-related and thereby substantially reduced investment. Furthermore, in the photofinishing field, we consolidated photo-processing laboratories on a global level, and through our alliance with

Noritsu Koki Co., Ltd., we have been efficiently developing high-performance digital minilabs and promoting the creation of an improved, efficient maintenance support system.

### ■ Electronic Imaging Business

In the electronic imaging business field, which includes digital cameras, we reinforced our feature-rich product lineup, centered on highly sensitive digital cameras, as well as downsized domestic production and established a mass-production system in China. In addition, we thoroughly cut costs and reduced total inventories by strengthening supply chain management.

Although features such as the ability to detect faces and high sensitivity received market acclaim, the business environment remained challenging. In this context, we will channel resources into developing high-quality digital cameras with features that enable users to take better photos, and reform our business promotion systems in manufacturing, sales, and research.

## Results of Structural Reforms

These structural reforms entailed expenses related to fixed assets, including accelerated depreciation of manufacturing facilities, and expenses associated with streamlining the work force, such as special retirement benefits. During the two years from April 1, 2005 to March 31, 2007, expenses including those associated with the "Slim & Strong Drive" (refer to next page) amounted to ¥202.5 billion in total. We shed just over 5,000 personnel by the end of March 2007.

On the other hand, the effects of cost cutting through structural reforms appeared earlier than we had initially projected. We believe that the effects amounted to just over ¥40 billion in the fiscal year ended March 31, 2007. In the fiscal year ending March 31, 2008, the extent of the effects will increase. We estimate they will reach just over ¥55 billion, including the effects from the "Slim & Strong Drive."

### Structural Reform Expenses

(including expenses related to the "Slim & Strong Drive")

Mar. '06	Mar. '07	Total
¥86.0 billion	¥116.5 billion*	¥202.5 billion*

\*This includes ¥22.4 billion that was posted under non-operating expenses as decline in value of investment securities.

### Personnel Streamlining

More than  
5,000 personnel  
(as of the end of March 2007)

### Cost-cutting Effects



## ■ Enhancing Consolidated Management ■

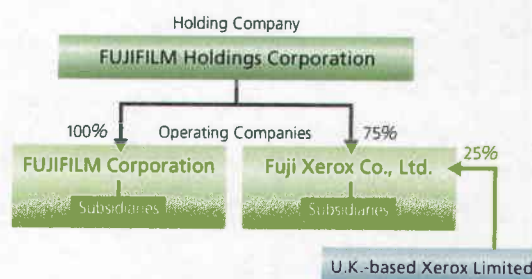
The Fujifilm Group moved to a holding company structure in October 2006 and concentrated the head office functions of FUJIFILM Holdings Corporation, FUJIFILM Corporation and Fuji Xerox Co., Ltd. in February 2007. As a result, we laid the foundations to further reinforce consolidated management of the Group.

### ■ Move to Holding Company Structure and Concentration of Head-office Functions

On October 1, 2006, the Fujifilm Group moved to a holding company structure and became a new consolidated group organization centered on FUJIFILM Corporation and Fuji Xerox Co., Ltd. under FUJIFILM Holdings Corporation, which plays a supervisory role in the management of the entire Group. As FUJIFILM Holdings Corporation will oversee strategic planning for the entire Group, it will allocate resources by emphasizing overall optimization. At the same time, the new structure will promote an increase in areas of synergy among Group companies, personnel exchange within the Group, and improved efficiency by consolidating common operations.

In February 2007, we concentrated the head office functions of these three companies in Tokyo Midtown, located

in Roppongi, Tokyo. Through this move, we aim to promote further strategic collaboration and realize concrete synergies among the three companies.



### ■ Promotion of the "Slim & Strong Drive"

Taking advantage of the move to a new structure, we initiated the "Slim & Strong Drive" targeting all organizations in the Fujifilm Group. The activities promote thorough improvements in efficiency and the prioritized use of manufacturing costs,

selling, general and administrative expenses, and R&D expenses, and aim to realize a more muscular and robust corporate constitution.

#### Fujifilm Group's Head Office Functions Concentrated in Tokyo Midtown

Sharing the knowledge and human resources cultivated by the three companies so far will enable us to further enhance the quality and speed of management and produce more advanced synergies. Those are the major aims of concentrating head office functions. When establishing offices, the Fujifilm Group makes maximum use of the solutions skills and IT technologies associated with office creation that it has built up. We are promoting strategic Group management by facilitating



FUJIFILM SQUARE

communication among the three companies and improving operating efficiency by integrating office services common to all three.

Furthermore, as a new information distribution base relating to "photo culture," we opened FUJIFILM SQUARE, our first showroom complex on the first and second floors of the Tokyo Midtown Head Office. This showroom presents the beauty and value of photos in a number of ways and contributes to maintaining and developing photo culture. For example, it includes photo exhibitions in two photo galleries with different individual characteristics, an exhibition of Fujifilm's treasured collections, such as antique cameras and photos that have historical value, and a photo shop that demonstrates the pleasures of decorating one's home with photos.



Fujifilm Group's head office building



# Strategies in the VISION75 (2007)

## Medium-term Management Plan

In April 2007, Fujifilm formulated a revised medium-term management plan called VISION75 (2007). It is aimed at promoting the strategies in the VISION75 (2006) medium-term management plan more intensively, securing firm prospects for future growth, and establishing our "Second Foundation." VISION75 (2007) is based on the themes of "further promoting growth strategies" and "realizing a robust corporate constitution." As we implement this plan, we will boost investment in the priority business fields identified under VISION75 (2006) and swiftly and resolutely promote the "Slim & Strong Drive," cost reduction reforms that target the entire Group. Through these measures we will ensure that we achieve our targets of ¥3,150 billion in revenue and ¥250 billion or higher in operating income in the fiscal year ending March 31, 2010.

### Further Promoting Growth Strategies

In line with the growth strategies of VISION75 (2006), we will further step up capital investment, M&A, and R&D investment in priority business fields based on the following fundamental strategies:

#### Fundamental Strategies

- Attain superior competitiveness by catching users' needs and shifting to high-value-added products
- Seize additional business opportunities by broadening the scope of business domains
- Strengthen and expand businesses by creating Group synergies

Key points of current and future business strategies in major priority business fields

Priority Business Field	Key Points of Current and Future Business Strategies
Medical Systems	<p>Expand business domains and change portfolio (film oriented → equipment and network oriented)</p> <ul style="list-style-type: none"> <li>● Expand business as integrated diagnostic imaging solutions provider <ul style="list-style-type: none"> <li>· Step up marketing of diagnostic modality solutions</li> <li>· Expand network business through reinforcement of SYNAPSE medical-use picture archiving and communications system</li> <li>· Incorporate business of integrated systems for management of reception, examination, data referencing, and reporting functions in endoscopy and sonography examination operations</li> </ul> </li> <li>● Expand in new fields <ul style="list-style-type: none"> <li>· Radiopharmaceuticals, sonography diagnostic imaging systems, capsule endoscopes, etc.</li> </ul> </li> </ul> <p><b>Target</b> Year ending March 31, 2009 ¥300 billion in revenue (including life sciences)</p>
Graphic Arts	<p>Expand businesses</p> <ul style="list-style-type: none"> <li>● Reinforce global sales capabilities and cost competitiveness by establishing worldwide quadripolar business promotion organization</li> <li>● Expand production capacity in response to increased demand for CTP plates</li> <li>● Expand industrial inkjet printer-use ink business</li> <li>● Produce synergies between FUJIFILM Corporation and Fuji Xerox Co., Ltd. in print-on-demand field</li> </ul> <p><b>Target</b> Year ending March 31, 2009 ¥300 billion in revenue</p>
Documents	<p>Improve profitability</p> <ul style="list-style-type: none"> <li>● Accelerate growth of solutions business <ul style="list-style-type: none"> <li>· Strengthen solutions business catering to increasing sophistication of customer needs</li> <li>· Reinforce collaboration in commercial printing field</li> </ul> </li> <li>● Accelerate growth in Asia-Pacific region including China <ul style="list-style-type: none"> <li>· Further bolster share of color multifunction devices market in Asia-Pacific region including China</li> </ul> </li> </ul> <p><b>Target</b> Year ending March 31, 2010 10% ratio of operating income to revenue</p>
Optical Devices	<p>Expand businesses</p> <ul style="list-style-type: none"> <li>● Expand production capacity mainly at Shenzhen and Tianjin plants in China to meet growing demand for lenses, including those for camera phones</li> <li>● Secure position in each market by launching differentiated, high-value-added products</li> <li>● Produce synergies between FUJIFILM Corporation and FUJINON Corporation, and promote reinforcement of product development capabilities and cost reductions</li> </ul>
FPD Materials	<p>Continue to expand businesses</p> <ul style="list-style-type: none"> <li>● Guarantee stable growth of FUJITAC and WV Films <ul style="list-style-type: none"> <li>· Expand incorporation of WV Films in medium-sized (26-inch and 32-inch) TN mode televisions</li> <li>· Increase FUJITAC production capacity through capital investment in FUJIFILM Kyushu Co., Ltd.</li> <li>· Contribute to panel cost reductions through production of ultra-wide FUJITAC</li> </ul> </li> <li>● Expand the business of materials for TV polarizing plates <ul style="list-style-type: none"> <li>· Expand supply of VA and IPS mode-related high-value-added materials</li> </ul> </li> </ul> <p><b>Target</b> Year ending March 31, 2010 ¥300 billion in revenue</p>

Fujifilm plans to spend ¥200 billion for capital expenditures in the fiscal year ending March 31, 2008 and ¥550 billion during the three-year period until March 31, 2010. We also plan to spend ¥200 billion on R&D in the fiscal year ending March 31, 2008 and a total of ¥600 billion to ¥700 billion over the same three-year period. In addition, we will continue to carry out M&A aggressively and further expand growth.

#### Capital Expenditures, Depreciation and Amortization, and R&D Expenses Targets

(Billions of yen)

	Mar. '08	Total during Mar. '08 – Mar. '10
Capital expenditures*	200	550
Depreciation and amortization* (Depreciation)	220 150	700 500
R&D expenses	200	600~700

\* Excluding rental equipment in the Document Solutions segment

### Realizing a Robust Corporate Constitution

As we explained in the review of VISION75 (2006) (page13), we are currently implementing the "Slim & Strong Drive" targeting all organizations in the Fujifilm Group. These activities promote thorough improvements in efficiency and the prioritized use of manufacturing costs, selling, general and administrative expenses, and R&D expenses, and aim to realize a stronger and more robust corporate constitution.

Through these activities, we will reform our corporate culture itself by strengthening the individuals and organizations that support the enterprise and build the foundation of a robust company. At the same time, by promoting greater efficiency and strength in all kinds of business processes, we aim to realize a robust corporate constitution.

One target of these activities is to improve the ratio of selling, general and administrative expenses to sales to around 20% to 25% in the fiscal year ending March 31, 2010, the final year of the VISION75 medium-term management plan. In addition, we will intensify efforts to reduce manufacturing

costs and improve the efficiency of R&D at factories and research centers.

In a specific measure to this end, we established a Group shared services company in July 2007. In addition, we are realizing economies of scale by pursuing Groupwide optimization of distribution and purchasing activities, and we are promoting cost reductions and the more efficient use of expenditure.

#### Realizing a Robust Corporate Constitution through the "Slim & Strong Drive"



#### Concentration of Common Administrative and HR Service-related Operations Common in Fujifilm Group Establishment of Shared Services Company

In July 2007, we established FUJIFILM Business Expert Corporation as a shared services company that integrates the administrative, human resource (including welfare and benefits), insurance agency, and travel agency functions of Group companies under the control of FUJIFILM Holdings Corporation.

FUJIFILM Business Expert Corporation will provide shared services in the areas of administration and human resources for Group companies under the governance of FUJIFILM Holdings. It will rigorously pursue efficiency through the creation of a leaner company resulting from consolidation of shared operations, the standardization and integration of operational processes, and the utilization of outsourcing. At the same time, it will strive to enhance service quality and flexibility.

In addition, after the proper steps have been taken, FUJIFILM Business Expert Corporation will expand its operational scope to include more Group companies that will receive services and to include indirect material purchasing as a shared service.



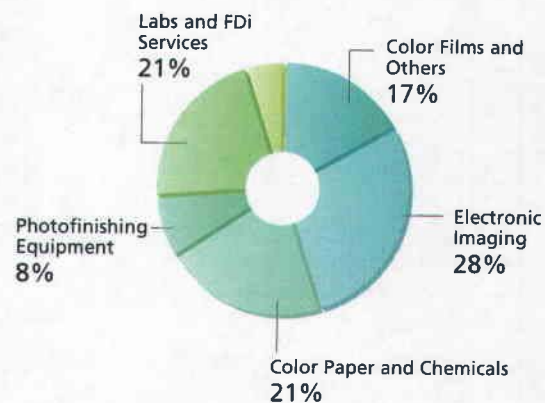
## Operating Segment Information

### Financial Data

#### Imaging Solutions

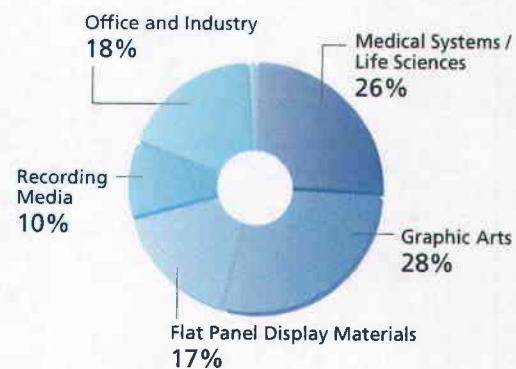
● Revenue .....	¥605.4 billion
● Share of revenue .....	21.7%
● Operating loss* .....	¥(42.6) billion
● Total assets .....	¥542.4 billion
● Research and development .....	¥21.5 billion
● Capital expenditures** .....	¥19.8 billion

### Breakdown of Revenue



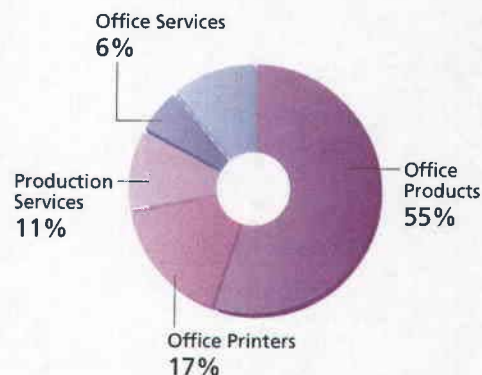
#### Information Solutions

● Revenue .....	¥1,026.1 billion
● Share of revenue .....	36.9%
● Operating income* .....	¥95.2 billion
● Total assets .....	¥1,242.8 billion
● Research and development .....	¥77.0 billion
● Capital expenditures** .....	¥96.0 billion



#### Document Solutions

● Revenue .....	¥1,151.0 billion
● Share of revenue .....	41.4%
● Operating income* .....	¥61.2 billion
● Total assets .....	¥1,056.4 billion
● Research and development .....	¥78.5 billion
● Capital expenditures** .....	¥48.1 billion



\* Including the effect of structural reform charges

\*\* Figures do not include amounts for rental equipment handled by the Document Solutions segment.

## Line of Business / Main Products and Services

■ Color Films and Others	Color Negative Films QuickSnap Color Reversal Films
■ Electronic Imaging	Digital Camera "FinePix" Digital Camera Accessories
■ Color Paper and Chemicals	Photographic Paper for Color Prints Photofinishing Chemicals
■ Photofinishing Equipment	Film Processors/Printing Equipment •Frontier Digital Minilab Series •Thermal Photo Printers
■ Labs and FDI Services	Film Processing Services Photo Printing Services



■ Medical Systems/ Life Sciences	FCR Digital X-ray Imaging and Diagnostic Systems SYNAPSE Medical-use Picture Archiving and Communications systems Dry Imaging Films/Dry Imagers Conventional X-ray Films Radiopharmaceuticals Digital Endoscopes Nucleic Acid Isolation Systems Healthcare Products
■ Graphic Arts	Materials and Equipment for Graphic Arts •CTP (Computer-to-Plate) Plate •CTP Plate Setter Inks for Industrial Inkjet Printers
■ Flat Panel Display Materials	FUJITAC Protective Films for Polarizers WV Films for Expanding Viewing Angles Transer Films for Manufacturing Color Filters
■ Recording Media	LTO Ultrium Data Cartridges Data Cartridges for IBM 3592
■ Office and Industry	Camera Phone Lens Units TV Lens/CINE Lens Electronic Materials Inks for Consumer-use Inkjet Printers Industrial Inkjet Printer Heads



■ Office Products	Color/Monochrome Digital Multifunction Devices Document Handling Software (DocuWorks)
■ Office Printers	Color/Monochrome Laser Printers
■ Production Services	On-demand Publishing Systems Computer Printing Systems
■ Office Services	Document Outsourcing Services Document Management Services Business Process Reengineering (BPR) and Business Process Outsourcing (BPO)





## Review of Operations



### Imaging Solutions

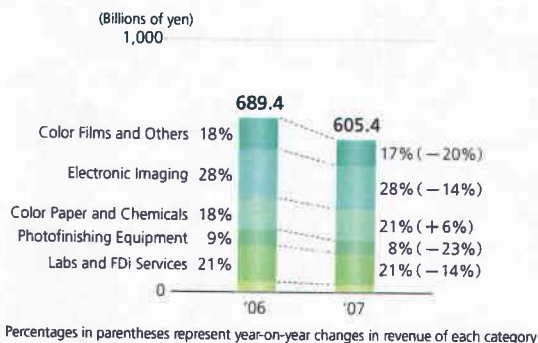
The Imaging Solutions segment includes color films, digital cameras, photofinishing equipment and color paper, chemicals and services for photofinishing.

#### Results for Fiscal Year

Ended March 31, 2007

Consolidated revenue in this segment declined 12.2% year on year to ¥605.4 billion, despite higher sales of color paper on the back of increased market share and other factors. The overall decrease was primarily attributable to lower sales of color films and digital minilabs as well as of development services at photo-processing laboratories. The segment posted an operating loss of ¥42.6 billion, mainly due to structural reform charges of ¥60.1 billion. Excluding these charges, pro forma operating income grew considerably to ¥17.5 billion, a large increase of ¥15.8 billion year on year.

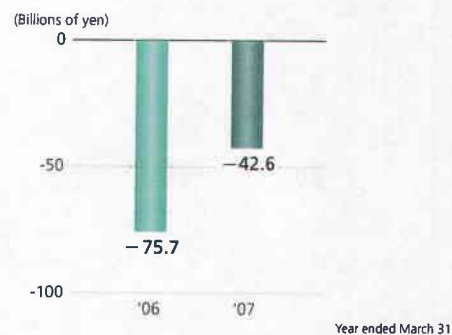
#### Breakdown of Revenue



#### Reasons for YoY Changes

- ⊕ Higher color paper sales on market share growth in principal countries
- ⊖ Lower sales of color films in a shrinking market
- ⊖ Lower sales of digital cameras due to price competition, mainly in entry-level models
- ⊖ Decreased sales of digital minilabs as large-scale retail outlets ended a cycle of new installations

#### Operating Loss



#### Reasons for YoY Changes

- ⊕ Benefits of higher sales volume for color paper
- ⊕ Substantial benefits of reduction in fixed costs yielded by structural reforms
- ⊕ Decrease in structural reform charges (down ¥17.3 billion)
- ⊖ Rising prices of silver and other main raw materials



## Performance Overview and Outlook

### ■ Color Paper, Chemicals, and Photofinishing Equipment

Demand for printing photos from film is falling as demand declines for film. However, the uptake of digital cameras is driving steadily rising business volume for the printing of digital camera photos.

Responding to this trend, Fujifilm has rolled out various initiatives to expand "Print at Retail," a key strategy for the company. In combination with this, Fujifilm has expanded the infrastructure supporting the "Print at Retail" strategy, with the active launch of digital minilabs. Thanks to these actions, both sales and earnings from color paper and chemicals were up year on year. Moreover, Fujifilm estimates that it now commands a global share of around 50% in the color paper market. In photofinishing equipment, however, sales were down as large-scale retail outlets ended a cycle of new installations of digital minilabs.

### ■ Electronic Imaging

The global digital camera market continued to grow, recording total shipments of 81 million units, 21% higher year on year, according to statistics released by Camera & Imaging Products Association (CIPA) for the year ended March 31, 2007. On the other hand, price competition intensified as differences in basic specifications among camera manufacturers became blurred.

In this market, the FinePix F31fd, a compact digital camera boasting a maximum sensitivity of ISO 3200, and the stylishly slim FinePix Z5fd sold strongly. In addition to the high sensitivity and high image quality for which Fujifilm is well known, these digital cameras feature the world's fastest\*1 Face Detection technology\*2. Despite a rise in shipments to 6.6 million units, however, sales in electronic imaging declined overall, the result of persistently stiff price competition centered on entry-level models.

\* 1 : Fujifilm research as of February 2007

\* 2 : Advanced Image Intelligence™ technology for automatically detecting faces in a scene is integrated in a unique IC chip. This technology can automatically detect up to 10 faces simultaneously and take a photo within as little as 0.05 seconds. Just point and shoot.



FinePix F31fd



FinePix Z5fd

### ■ Color Films and Others

In the fiscal year under review, sales of color films declined in a contracting market. On a more positive note, however, Fujifilm increased its market share thanks to the success of a sales strategy that seeks to take advantage of the exit from the market of competing companies. Moreover, Fujifilm continued to generate earnings by reducing fixed costs, raising prices and taking other actions to combat falling sales volume and soaring prices of silver and other main raw materials.

### ■ Outlook

In the Imaging field, Fujifilm continues to put in place a framework capable of consistently generating earnings, having completed structural reforms initiated in the previous fiscal year. As it does so, the competitive landscape is undergoing major change with the withdrawal of competing companies from the market.

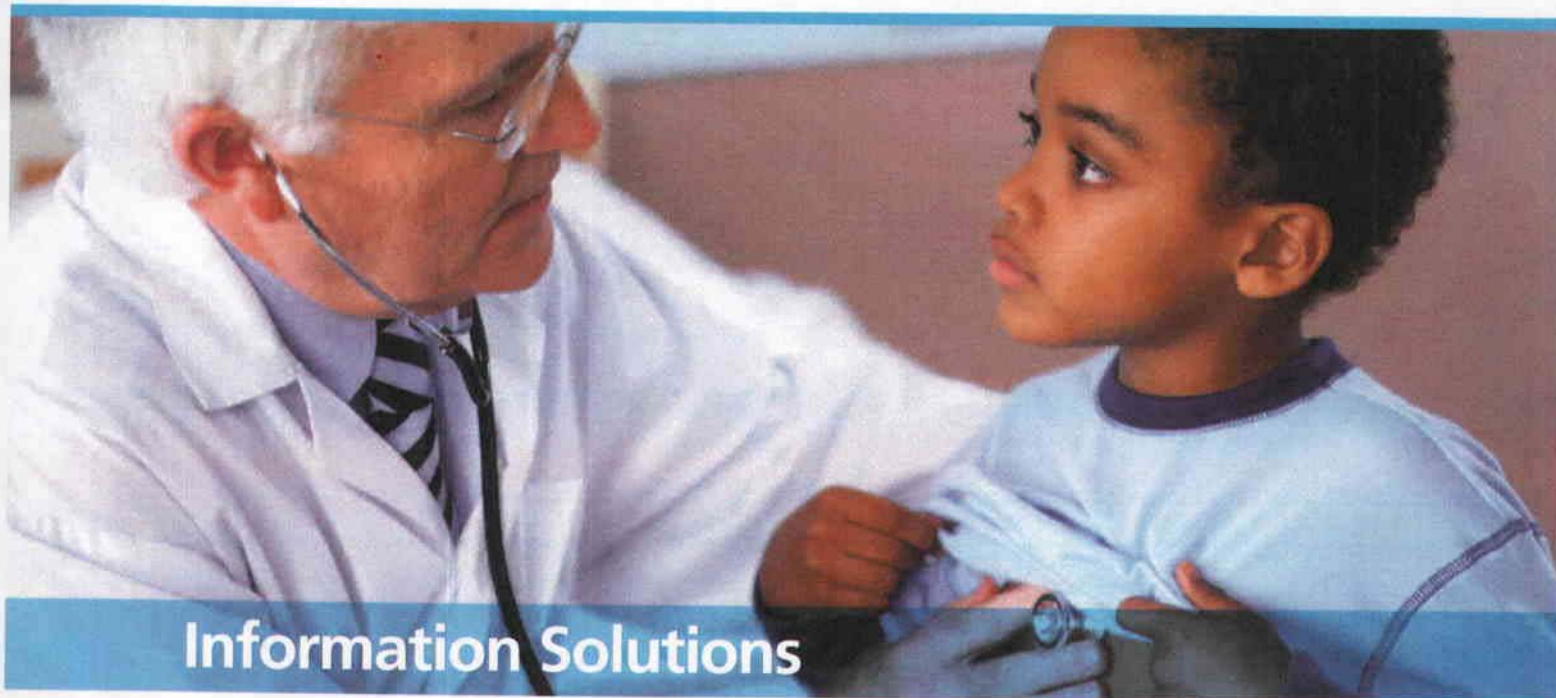
Amid this backdrop, Fujifilm aims to increase the uptake of "Print at Retail" services, which are defined by the "easy, beautiful, long lasting" characteristics of the photos produced. This is part of Fujifilm's ongoing response to customer demands for making digital camera prints that don't compromise on picture quality.

Using its alliance with Noritsu Koki Co., Ltd. in product development and after-sales services, Fujifilm is also developing a new series of digital minilabs and taking other actions as it steps up its response to diversifying demand for photographic prints, with the aim of improving profitability.

Fujifilm expects the digital camera market to grow at a slightly slower rate in the year ahead, while competition remains as fierce as ever. In this market environment, Fujifilm aims to grow sales by bolstering its lineup of distinctive products and, at the same time, make greater strides in transitioning to a cost structure that can withstand intense competition.



Fujifilm's exhibit at PMA 2007, one of the largest trade shows for the photo-related industry in the U.S., carried the slogan, "Fujifilm. Expand the World of Imaging."



## Information Solutions

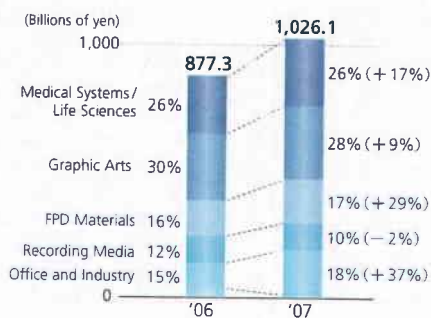
The Information Solutions segment includes equipment and materials for medical systems and life sciences, equipment and materials for graphic arts, flat panel display (FPD) materials, recording media, optical devices, electronic materials and inkjet materials.

### Results for Fiscal Year

Ended March 31, 2007

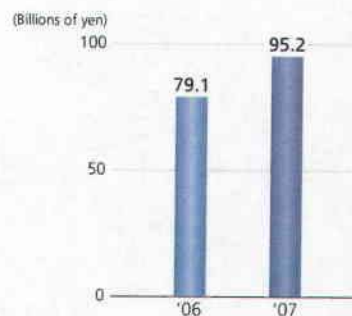
Consolidated revenue in this segment climbed 17.0% over the previous fiscal year to ¥1,026.1 billion. One reason was healthy growth in sales in certain business fields, including medical systems as well as graphic arts, and FPD materials. The addition of sales from newly consolidated subsidiaries also bolstered the top line. The segment recorded a 20.4% rise in operating income to ¥95.2 billion despite booking structural reform charges of ¥17.3 billion. Excluding these charges, pro forma operating income jumped 28.2%, or ¥24.7 billion, to ¥112.5 billion.

Breakdown of Revenue



Percentages in parentheses represent year-on-year changes in revenue of each category

Operating Income



Year ended March 31

### Reasons for YoY Changes

- + Healthy sales growth in main business fields
- + Contribution to sales from newly consolidated subsidiaries

#### Main New Consolidated Subsidiaries

FUJIFILM Imaging Colorants Limited (Inks for consumer-use inkjet printers)  
 FUJIFILM Dimatix, Inc. (Inkjet printer heads)  
 FUJIFILM RI Pharma Co., Ltd. (Radiopharmaceuticals)

### Reasons for YoY Changes

- + Benefits of higher sales volume for key products
- + Lower fixed costs stemming from streamlining production facilities shared with Imaging Solutions
- ⊖ Increase in structural reform charges (Up ¥8.7 billion)
- ⊖ Rising prices of silver, aluminum and other main raw materials



## Performance Overview and Outlook

### Medical Systems / Life Sciences

In the medical systems business we are conducting operations on a global scale in the field of medical image diagnostics. Flagship products are our FCR (Fuji Computed Radiography) digital X-ray imaging and diagnostic systems, which led the world when they were developed in 1981, and SYNAPSE, a medical-use picture archiving and communications system (PACS) for managing images from various modalities in radiology departments over a network. In this market, the development of medical networks, particularly in Japan, the U.S. and Europe, is driving increasing digitization of testing and diagnostic information.

In the year ended March 31, 2007, we recorded continued robust growth in sales of FCR, dry films and other equipment and materials. A highlight of the fiscal year under review came in July 2006 when our FCR mammography system, which is effective in the early detection of breast cancer, became the first CR system in the world to receive premarket approval (PMA) from the U.S. Food and Drug Administration. The start of sales in the U.S. following this approval contributed to the higher FCR sales. SYNAPSE also saw higher sales, mainly in Japan, the U.S. and Europe.

In digital endoscopes, we leveraged distinctive products such as the Transnasal Endoscope, which substantially alleviates pain through insertion via the nose, to boost our market share. This translated into a marked increase in sales of digital endoscopes.

In October 2006, Daiichi Radioisotope Laboratories, Ltd. became a consolidated subsidiary. The inclusion of sales from this company, which was renamed FUJIFILM RI Pharma Co., Ltd. in April 2007, helped boost sales substantially in the business as a whole in the fiscal year ended March 31, 2007.



The FCR PROTECT CS is ideal for mammography.



SYNAPSE, a PACS for medical use

### Graphic Arts

Demand is rising rapidly for computer-to-plate (CTP) systems for the creation of printing plates as digitization of printing work advances. These systems allow digital text and image data to be transferred directly to printing plates, eliminating the film processing stage. CTPs are now used for around 65% in Japan and for more than 70% of printing in North America and Europe. Competition is intensifying in this field.

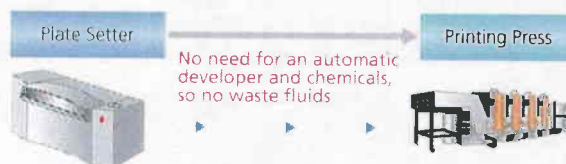
In the fiscal year ended March 31, 2007, we stepped up efforts to increase production capacity at our four bases in the U.S., the Netherlands, China and Japan and to strengthen the marketing of CTP plates. In addition, we launched the processless thermal plates worldwide. A response to strong requests from the market, this next-generation CTP system does not require a developer and developing chemicals, meaning that it has a small environmental footprint. Consequently, overall revenue in the graphic arts business increased due to a sharp rise in sales of CTP plates in Europe, Oceania and India, though the growing use of CTP systems brought down demand for graphic arts films.

#### Printing Work Flow of Processless Thermal Plates

##### ● Current CTP Workflow



##### ● Processless CTP Workflow



Approx. 40% reduction in CO<sub>2</sub> emissions substantially lightens the environmental impact

## ■ Flat Panel Display Materials

Expansion in the LCD market continues unabated, underpinned by firm growth in LCD TVs, LCD monitors and notebook PCs, for which demand is increasing worldwide. In addition, panels are increasing in size. For example, the main size of monitor screens is shifting from 17 inches to 19 inches, with 21-inch screens also increasing in prevalence. Moreover, an increasing share of LCD TVs is of the 30- to 40-inch class.

Along with these trends, we are seeing steady expansion in our business supplying polarizer materials, which are essential for LCDs. We boast global market shares of just over 80% for FUJITAC and 100% in WV Film. These high market shares, coupled with growth in sales of other value-added films, lifted sales sharply by 29% year on year. FUJITAC capped off the year by becoming the first LCD material in Japan to win Biomass Mark certification from The Ministry of Agriculture, Forestry and Fisheries; FUJITAC is made predominantly from plant-derived cellulose.



Biomass Mark

### Fujifilm FPD Materials

<b>"FUJITAC" Protective Film for Polarizers</b>	Made from cellulose triacetate (TAC) material, this film boasts outstanding transparency and surface flatness and smoothness. It is used as a protective film for polarizers in LCDs.
<b>"WV Film" Film for Expanding Viewing Angle</b>	A proprietary product with WV, meaning wide view. WV film uses a discotic liquid crystalline compound to dramatically widen the viewing angle of TFT-LCD panels.
<b>"CV Film" Antireflective Film</b>	An antireflective film for LCD panel surfaces. It employs light dispersion and antireflection technologies to reduce difficulty in seeing images due to outside light, thereby achieving high picture contrast.
<b>"Transer"</b>	A film used to produce color filters for LCDs. A color LCD panel is created by transferring red, green, blue and black color layers from the film to a glass substrate using a world-first technique. It is ideal for manufacturing large LCD panels.

## ■ Recording Media

Higher capacity and transfer rates of data storage tapes, which are used to back up and archive data, are increasingly in demand as the volume of data handled by companies and government departments increases rapidly in line with the uptake of broadband.

Despite continuing fierce price competition in mid-range data storage tapes, sales increased during the year ended March 31, 2007, centered on mainstay LTO Ultrium 3 data cartridges. In the high-end enterprise-use field, there was a steady increase in sales of data cartridge products used for the IBM TotalStorage® Enterprise Tape Drive 3592. Further sales growth is being driven by the start of shipments of the world's first 700GB IBM System Storage 3592 Extended Data High-capacity Tape Cartridge for enterprise-grade systems and the FUJIFILM DLTtape® S4 Cartridge for the mid-range field.

\*LTO and Ultrium are trademarks of Hewlett-Packard, IBM and Quantum in the U.S., other countries, or both.



LTO Ultrium 3



FUJIFILM DLTtape® S4 Cartridge

## ■ Office and Industry

In the optical devices field, amid increasing picture quality and sophistication of camera-equipped mobile phones, sales of lens units for camera phones grew as we leveraged the advantage of being able to supply high-specification units for two-megapixel cameras and above. Furthermore, FUJIFILM Imaging Colorants Limited, a newly consolidated subsidiary that supplies inkjet materials for inkjet printers, contributed to sales.



Camera Phone Lens Units

Drawing on plastic and glass lens formation technologies, we have led the market in developing lens units for mobile phones with megapixel cameras.



## ■ Outlook

In the Information Solutions segment, guided by our VISION75 (2007) medium-term management plan, we will roll out initiatives in every business field so as to better ensure growth over the medium and long term. This will include increasing investments in plant and equipment, conducting more M&As and investing more in R&D. These investments will be centered on high-growth business fields such as the FPD materials business.

In the medical systems business, we plan to ensure our competitiveness by expanding sales of total systems including imagers, centering on FCR, which has a top market share. At the same time, we will expand business for medical-use picture archiving and communications systems, as we work to engineer a portfolio shift from one led by film to one in which equipment and systems are the earnings drivers. FUJINON Corporation, which supplies digital endoscopes, is also endeavoring to expand sales through an alliance with Given Imaging Ltd. This alliance will enable FUJINON to add Given Imaging's capsule endoscope to its product lineup as well as generate synergies with FUJINON's unique Double-balloon Endoscope System.

In the graphic arts business, we aim to be the No. 1 CTP plates supplier with a worldwide market share of 40% by continuing to expand sales, especially of CTP-related products.

Meanwhile, we plan to make the FPD materials business a fulcrum of the company. We will do this by leveraging the strength inherent in possessing production technology for core material FUJITAC as well as organic synthesis and precision coating technologies. We will also make substantial capital investments in this business, constantly improve the performance of materials, and develop and commercialize value-added materials to the same end.

In the recording media business, we will use our proprietary NANOCUBIC technology to develop tape cartridges that achieve even higher storage capacity. In April 2007, for example, we launched the fourth-generation LTO-standard products of LTO Ultrium 4 data cartridges. These new data cartridges have double the storage capacity of the previous generation. We will continue to provide products meeting customers need at a high level.

Details of the growth strategies in our medium-term management plan can be found on pages 8 to 11 of this report.

## Applying and Developing Core Technologies in a New Business Domain—Healthcare

Since September 2006, Fujifilm has been bringing a number of new products to the healthcare market, namely functional cosmetics and functional foods (supplements). The foundation for R&D into these products is provided by proprietary FTD (Formulation, Targeting and Delivery) technology. Based on the FTD technology concept of formulating ingredients at the nanolevel and delivering them to targeted locations in the body in a stable state, Fujifilm is providing added value in products that achieve dramatic gains in the absorption of beneficial ingredients within the human body.

Through many years of R&D in photographic film, Fujifilm has accumulated a host of outstanding technologies and sophisticated knowledge. These include nanotechnologies for breaking down materials into extremely minute sizes and stabilizing them; technology for controlling free radicals that allows photographic prints to be preserved for a long time; and research results relating to collagen, a main constituent of film. Fujifilm's know-how concerning emulsification, including how to use emulsifiers and the formulation of antioxidants, is also used extensively in establishing FTD technology.

Fujifilm's entry into the healthcare field is a high-profile illustration of moves to increase its presence in growth fields and to develop new fields through the launch of unique and competitive products that apply and build on these sorts of existing core technologies.

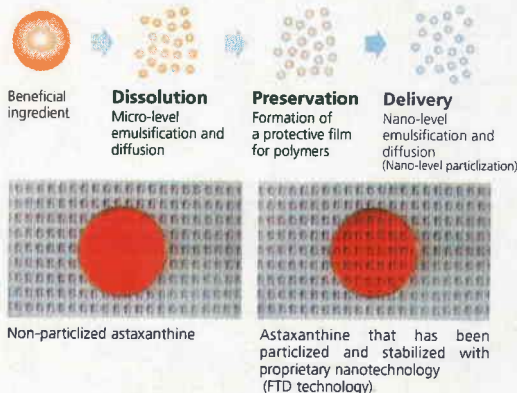


INFILTRATE SERUM  
WRINKLE ESSENCE,  
an antioxidant beauty  
lotion containing  
astaxanthine

Availability: Japan

### FTD Technology Dramatically Enhances Absorption Rates

The FTD process delivers lipid-soluble materials and solid ingredients that are insoluble in water to targeted locations





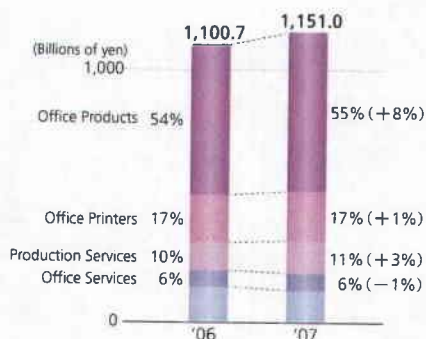
The Document Solutions segment, operated by Fuji Xerox Co., Ltd., encompasses office copy machines / multifunction devices, printers, production systems and services, paper, consumables, and office services.

## Results for Fiscal Year

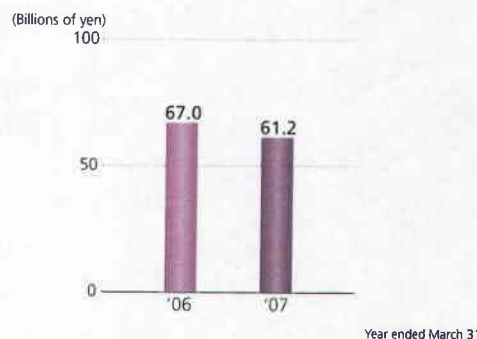
Ended March 31, 2007

Consolidated revenue in this segment rose 4.6% year on year to ¥1,151.0 billion, driven by strong growth in exports of digital color multifunction devices for offices to Europe and North America as well as in sales in the Asia-Pacific region including China. Operating income, however, dropped 8.7% to ¥61.2 billion, due to ¥16.7 billion in charges recorded as part of the Group's "Slim & Strong Drive." Excluding these charges, pro forma operating income was ¥77.9 billion, a ¥10.9 billion, or 16.2%, year-on-year increase.

Breakdown of Revenue



Operating Income



### Reasons for YoY Changes

- ⊕ Higher sales of digital color multifunction devices in the Asia-Pacific region including China, as well as export growth to Europe and North America

### Reasons for YoY Changes

- ⊕ Benefits of higher sales in office products business
- ⊕ Improvements in cost of sales due to rightsizing of production operations, process reforms as well as sharing and standardization of parts / materials
- ⊖ Recognition of charges related to "Slim & Strong Drive" (+¥16.7 billion)
- ⊖ Higher SG&A expenses accompanying business expansion in the growing Asia-Pacific market, including China